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**RESPONSES OF MAGAZINE PUBLISHERS OF AMERICA WITNESS
GLICK TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE
(USPS/MPA-T4-10-13)**

(February 11, 1998)

Pursuant to the Commission's Rules of Practice, Magazine Publishers of America hereby submits the attached responses to interrogatories propounded by USPS to witness Glick. (USPS/MPA-T4-10-13)

Respectfully submitted,



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USPS/MPA-T4-10. Please refer to your response to interrogatory USPS/MPA-T4-1. Assume that there were no proposals for lower rates for Prepaid Reply Mail and Qualified BRM, based on the prebarcoding cost savings developed by witness Miller, or assume, in the alternative, that these proposals are not recommended by the Commission. Should prebarcoding cost savings then be considered, like the delivery cost savings calculated in section VI of your testimony, in determining the costs that underlie the BRMAS fee? Please explain your answer.

Response:

Yes. As witness Fronk stated in his testimony, "Achieving fairness and equity is an important goal for the Postal Service in preparing rate proposals. The proposed new categories for Prepaid Reply Mail and Qualified Business Reply Mail promote fairness and equity by establishing rates that are more closely aligned with costs. Also, by recognizing some of the cost savings [from prebarcoding] associated with this mail, the Postal Service is able to permit a broader base of customers to more directly share in the benefits of automation." USPS-T-32 at 47-48. This explanation of why the Postal Service is proposing to reflect the prebarcoding cost savings in the rates for PRM and QBRM is applicable for BRMAS-qualified BRM whether the PRM or QBRM proposals are recommended by the Commission or not.

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USPS/MPA-T4-11. Please refer to your response to interrogatory USPS/MPA-T4-3. Please confirm that the proposed monthly and annual fees for Prepaid Reply Mail (PRM) would be more likely to make PRM uneconomical for low-volume reply mail recipients than high-volume reply mail recipients. If you do not confirm, please explain why not.

Response:

I confirm that the proposed monthly fee per piece and proposed annual fee per piece for PRM decline as volume increases. Assuming that administrative costs for PRM and the opportunity cost of prepaying PRM rates is zero, I confirm that the proposed monthly and annual fees for Prepaid Reply Mail (PRM) would be more likely to make PRM uneconomical for low-volume reply mail recipients than high-volume reply mail recipients.

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USPS/MPA-T4-12. At facilities currently using the BRMAS program to count and rate BRMAS-rated BRM, do you believe that high-volume BRMAS-rated BRM recipients are more likely to be processed using the BRMAS program than low volume BRMAS-qualified BRM recipients? If not, please explain the basis for your response, taking into account the need to assign a BCS stacker for each BRM recipient processed using the BRMAS program.

Response:

As witness Schenk's study indicates, the cost for processing BRMAS-qualified BRM in the BRMAS operation is more than seven cents cheaper than processing it manually. Stated differently, the cost of manually processing BRMAS is approximately eight times the cost of processing it in the automated BRMAS operation. Even if the Postal Service had to perform two passes on all mail in the automated BRMAS operation, the cost for sorting BRMAS-qualified BRM in the BRMAS operation would still be much less expensive than sorting it manually. Therefore, the Postal Service seems to be processing more BRMAS manually than makes sense economically. Because the Postal Service is sorting a large amount of BRMAS-qualified BRM manually for reasons other than economic ones, it is unclear whether mail for high-volume BRMAS-qualified BRM recipients is more likely to be processed in the BRMAS operation than mail for low-volume recipients.

For example, assume that Facility A processes BRMAS for several high-volume recipient and no low-volume recipients but decides, for reasons other than economic ones, to process only five percent of BRMAS-qualified BRM in the automated BRMAS operation. Further, assume that Facility B processes all BRMAS-qualified BRM, except rejects, in the automated BRMAS operation and that the facility sorts BRMAS-qualified BRM for both high-volume and low-volume recipients. For these two facilities combined, the Postal

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Service sorts a higher percentage of low-volume recipient BRM in the automated BRMAS operation than of high-volume recipient BRM.

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USPS/MPA-T4-13. Please refer to your testimony at page 5, lines 17 to 28, and footnote 3.

(a) in your equation 2, why did you use the unit cost for a manual sort at *automated* sites?

(b) Do you agree with witness Hatfield that:

At automated facilities, a large portion of the mail that receives piece distribution in manual incoming secondary operations is reject mail from automation equipment. Because these pieces have been rejected from automation equipment they are often the more challenging pieces to process for reasons such as damage and address quality. On the other hand, the manual incoming secondary operation at non-automated facilities process all pieces of mail. Therefore, the mail processed in manual incoming secondary operations tends to be much cleaner at nonautomated facilities than at automated facilities. Manual processing of this cleaner mail stream leads to a higher productivity.

Response of witness Hatfield to ABA&EEI&NAPM/USPS-T-25-26(e), Tr. 4/ 1725-26. If not, please explain why not.

(c) Please refer to Table 15 in Postal Service Library Reference H-179.

- (i) Please confirm that 22 percent of BRMAS-rated pieces sorted in the manual BRM operation are done so because there is no automation at the facility where the BRM is sorted to the mailer. If you do not confirm, please explain why not.
- (ii) Please confirm that the following reasons for sorting automatable pieces manually would appear to indicate BRMAS-rated mail that has not been run through automation equipment: "Insufficient volume", "Automation overburdened already", "Nonautomatable mail (flats, oversize letters)", "Time Constraint (mail arrives too late; service standard)". If you do not confirm, please explain why not.

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- (iii) Please confirm that only 40 percent of all BRMAS-rated pieces sorted in the manual BRM operation are sorted in this operation because automation sorted them into a reject bin. If you do not confirm, please explain why not.
- (iv) Please confirm that, given that some pieces that a BRMAS or barcode sorter operation sends to a reject bin are pieces that are out of scheme, rather than damaged or of poor address quality, the 40 percent figure discussed in part (ii) above represents an overestimate of "non-clean" (damaged or of poor address quality) BRM. If you do not confirm, please explain why not.
- (v) Since BRMAS-rated BRM must go through a mailpiece approval process, do you agree that BRMAS-qualified BRM would generally tend to be of better address quality than other nonpresort First-Class Mail? If not, please explain why not.
- (d) Is it reasonable to expect that a majority of the BRMAS-rated mail that is manually sorted, counted, and rated would more closely reflect the "cleaner mail stream" at non-automated facilities, rather than the "more challenging pieces" at automated facilities, as discussed by witness Hatfield in part (b), above? If not, please explain.
- (e) Please confirm that if you use the 3.0787 cents per piece figure for "Manual/ Non-Auto Sites", from USPS-T-25, Appendix 1, page 13, instead of the 5.4474 cents per piece figure for "Manual/Auto Sites", in your Equation 2, the unit cost of a barcode sort (item 7 in Exhibit MPA-1), using all your other inputs, changes from 3.56 cents to 5.93 cents. If you do not confirm, please explain why not.

Response:

- (a) I was performing an apples-to-apples comparison. I wanted to compare the cost of a barcode sort, which by definition takes place at an automated facility, with the cost of a manual sort at the same automated facilities.
- (b) Yes. Please note that witness Hatfield did not quantify the percentage of the automated facility manual incoming secondary sort mailstream that was reject mail.

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Clearly, this number is less than 100 percent (Please also see my response to part (c)(ii)). Also, the referenced statement does not quantify the quality of mail at non-automated facilities. Specifically, the referenced quote does not quantify the percentage of mail at non-automated facilities that would have been rejected by automated equipment if it had been processed on automated equipment.

(c) (i) If the Column labeled "Percent of BRMAS Pieces (Postage Due Unit #8)" refers to all BRMAS pieces sorted in the manual BRM operation, then I confirm.

(ii) Confirmed subject to the same caveat as in USPS/MPA-T4-13(c)(i). Please also note that the reasons mentioned in your interrogatory also apply to non-BRMAS automatable pieces that are sorted manually at automated facilities.

(iii) Not confirmed. Some facilities provided the reason "other" for sorting automatable pieces manually and some facilities did not respond to the BRM Practices Survey at all. I agree with the statement that facilities representing 40 percent of BRMAS Pieces (Postage Due Unit #8) mail responded that the reason for sorting automatable pieces manually was "Automation sorted it into reject bin."

(iv) Confirmed that some pieces that a barcode sorter sends to a reject bin are pieces that are out of scheme. Please also see my response to subpart iii above.

(v) Yes.

(d) Not confirmed. I agree that the stream of BRMAS-qualified BRM that is processed manually is cleaner than the stream of "more challenging pieces" at automated facilities and dirtier than the mail stream at non-automated facilities. You have not provided enough

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information on the "more challenging" automated facility mailstream and the cleaner nonautomated facility manual mailstream for me to assess whether "a majority of the BRMAS-rated mail that is manually sorted, counted, and rated would more closely reflect the 'cleaner mail stream' at non-automated facilities." Please also see my response to part b of this interrogatory.

(e) Confirmed. Please note that if you average the cost of a manual sort at a non-automated facility with the cost of a manual sort at an automated facility, you would get a unit cost for a barcode sort of 4.75 cents. Using the 4.75 cent unit cost for a barcode sort yields a net cost per piece for BRMAS-qualified BRM of 1.5 cents. Based upon this net cost per piece, a two cent fee would result in a cost coverage of about 133 percent.

DECLARATION

I, Sander Glick, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


Sander Glick

Date: 2/11/98

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.



James R. Cregan

Washington, D.C.
February 11, 1998